CITY OF COHASSET
MINNESOTA

August 26, 2022

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Re: City of Cohasset Reply Comments – In the Matter of Minnesota Power's Application for Approval of its 2021-2035 Integrated Resource Plan, Docket No. E015/RP-21-33

Introduction

The City of Cohasset ("City") submits these reply comments on Minnesota Power's *Energy Forward* Integrated Resource Plan ("IRP"). The City may supplement these comments with additional context by the August 29th reply comment deadline, but feels it is important to file this information with at least a few days remaining prior to that deadline because of the substantial socioeconomic considerations these comments add to the record.

The City also hopes that filing these comments with time remaining before the submission deadline will give other parties at least some time to consider them before filing their own reply comments. This is particularly salient because some parties, such as the Department of Commerce Division of Energy Resources ("DOC DER") have expressed intention to address socioeconomic considerations more substantially in these reply comments than they have before. This is directly referred to in DOC DER's July 29, 2022 comments which state, in part, that its final recommendations "must also consider important policy considerations that help balance our statutory mandates to achieve low rates, promote renewable energy, protect consumers from excessive risk, **and balance these concerns against broader socioeconomic considerations, including impacts to workers and host communities.**"[1] While the City has significant concerns with DOC DER's approach to this resource plan, we appreciate the acknowledgement that the fate of our community and hundreds of workers is worthy of consideration.

To make the City's position on Minnesota Power's *Energy Forward* resource plan absolutely clear—we are in support of Minnesota Power's preferred plan, which includes the retirement of Boswell unit 3 by 2030 and the transition of Unit 4 away from coal by 2035, but we arrive at that point with caution, trepidation, and only because of the high-level of involvement Minnesota Power has afforded the City and other stakeholders in forming this plan.

In reality, the Boswell facility is so deeply intertwined with the fabric of our community that on socioeconomic factors alone, the City would ask the commission to allow Minnesota Power the option of

[1] Supplemental Comments of the Minnesota Department of Commerce, Division of Energy Resources Docket No. E015/RP-21-33, July 29, 2022, p. 54.

operating the Boswell facility for many years beyond what has been proposed by Minnesota Power's preferred plan or by any other party. That said, as these comments will demonstrate, Minnesota Power's preferred plan puts forth an appropriate balance between a broad number of considerations. The plan proposes ambitious timelines for the cessation of coal operations at Boswell, but on a long enough time horizon to give local governments, workers, and our other partners a fighting chance to successfully navigate the incredible transition we are facing.

That said, even under Minnesota Power's preferred plan timeline for Boswell retirement, the stakes are incredibly high and the timeline is incredibly short to accomplish the scale of transition required.

Relatedly, these comments are also meant to express the City's serious concern with any proposals in this docket to retire Boswell's remaining two units any sooner than those dates. In particular, rushing to close the facility on a more rapid timeline—such as that proposed by the Department of Commerce's "Fast Exit" plan—would be incredibly reckless, do permanent damage to our local economy, may not even be technically feasible. Similarly, retiring both Boswell units 3 and 4 at the same time in 2030—as suggested by parties such as the Clean Energy Organizations ("CEOs")—would compound the extreme negative consequences to our community as a result of plant retirement by concentrating all of those impacts into a single year and undermining the City's work to develop our tax base for the future.

<u>Background on Cohasset, Itasca County, and Boswell</u>

Cohasset is a city of roughly 2,700 residents located in Itasca County in northern Minnesota. As the Commission is aware, Cohasset has been the site of Minnesota Power's Clay Boswell Energy Center since its first coal-fired unit came into service more than sixty years ago. We have been proud to host a facility that has provided power to the region and has been the backbone of Northern Minnesota's economy by providing stable, 24/7 power to industries such as mining, forestry, and manufacturing that have long been the lifeblood of northeast Minnesota.

Every power plant host community in the state is shaped by the impact of the plant it hosts, but the interconnection between the Boswell plant and the Itasca County region stands apart even from our colleagues in other parts of Minnesota. For example, CEE's host community report found that a full 90% of the 170 plant workers at Boswell reside in Itasca County. Compared to the four other local governments analyzed in that report, the next highest share of plant workers living in the same county where the plant is located was the 39% of workers at the Prairie Island Nuclear Plant that live within Goodhue County. Itasca County also has by far the lowest median income of any of the host counties included in the CEE study. According to data from the US Census Bureau, Itasca County's median household income is $55,744. This is $17,638 less than Minnesota's statewide median income of $73,382.

Comparisons to other host communities are not meant to minimize the gigantic impact that the retirement of other facilities will have on our colleagues across the state. It is to emphasize that every host community and every transition is different. So too are the underlying ability of each community to weather such a transition. What these numbers demonstrate is that the high-paying, family-sustaining jobs that are provided by the Boswell plant are hard to come by, especially in an area where average earnings are much lower.

Cohasset sits on the western edge of northern Minnesota's Mesabi Iron Range. Our region has seen significant ups and downs throughout the years, sometimes as a result of downturns in our natural resource-based industries that are due to global factors that are far beyond our control. Some of those downturns were due to factors we couldn't have seen coming. The transition away from the decades-long contributions of the Boswell plant is one that we can see coming and prepare for, but we need a great deal to go right in order to navigate this transition successfully. That is why this IRP is of nearly existential consequence to us, and we urge your consideration of the factors laid out in these comments.

Tax Contributions of Boswell

At its peak, the Clay Boswell plant alone made up roughly 69% of the City of Cohasset's tax base. Today, that number still stands around 61%. The city is aware that the shocking scale of these numbers has been discussed in this docket, at the legislature, and in other venues such as the state's Energy Transition Office. We are also grateful to Minnesota Power for making these impacts a focus of their IRP stakeholder process, and to others such as the Center for Energy and Environment ("CEE"), which collaborated with the City and the Coalition of Utility Cities in their impact study released in 2020. With these comments, the City hopes to build on that understanding by providing straightforward hypotheticals and real-world examples of the impact plan loss has on those figures.

For any community, hosting a large power plant comes with significant, complex burdens. Local governments hosting plants shoulder significant infrastructure, public safety, and disaster preparedness costs that other similarly sized communities do not have to contend with. Being home to a large power facility also comes with both present and future land use challenges at and around the site of the plant and can have a varying impact on a community's ability to attract economic development and residents. While some businesses benefit from and/or prefer locating their operations near a large power generation source, many others prefer not to be located near a large power producing facility. Likewise, some individuals may be attracted to living near a plant if their employment is directly tied to the energy production, but many others would prefer not to live near a large coal plant. For all of these sacrifices a community makes to host a facility, there is a tradeoff in terms of the significant tax base that energy production can contribute to the local economy, the role the company and its employees can play in the area, and the quality jobs provided to workers.

Power plants and electric generating machinery are a unique category of property. Because of their scale and the complexity of assessing this property for property tax purposes, power plants are centrally assessed by the Minnesota Department of Revenue, rather than by county assessors like homes or most businesses. Some of the underlying structure of these processes is the reason that the tax impacts of plant retirement can be so immediate and dramatic.

Admittedly, it is not essential for the Commission and other parties become experts in Minnesota property taxes, or even the specifics of the process by which power plants and other utility equipment is valued. But, for any party who wants to genuinely understand the socioeconomic impacts of plant retirement it is essential to understand some things about this unique property type:

1) Because of the unique way power plant equipment is valued and ultimately taxed, retirement of a power plant results in an <u>immediate</u> and drastic impact to local governments.
2) The consequences of that lost tax base are huge reductions in property tax revenue to the local community, immediate and extreme property tax increases for other homeowners and businesses in the community, deep cuts to city services, or all of the above.
3) Despite their much smaller scale, the retirements of Boswell units 1 and 2 have already created a great deal of turmoil for the City of Cohasset and have made it significantly more difficult for the city to make the types of investments it needs to develop its tax base to prepare for the retirement of the much larger units 3 and 4.
4) Because of the unique character of Itasca County and the Iron Range, Boswell retirement will have ripple effects throughout the entire region in ways we won't see in other parts of the state.
5) The work required to diversify and bolster the City's tax base in the long-term requires short-term sacrifices that can compound our trouble if plants are closed too hastily.

Each of these factors will be further explained in the subsections that follow.

What happens to local tax base when a large power plant retires

In the case of a host community, a city's local tax base is made up primarily of a few things: homes, commercial/industrial properties, and utility property. That utility property—the which is assessed by the state, includes a few different categories of property: (1) electric generating machinery, which is typically the largest share of value at an operating plant; (2) structures and owned land; (3) other machinery. Ultimately, the value of each of these things is determined so that when a city or county establishes its levy (the amount it intends to raise from property taxes in the coming year), it can be determined what share of that levy each property in the community will be responsible for.

What happens when a power plant retires is that the value electric generating machinery at the plant drops to zero. Often, other categories of property such as structures/owned land is also significantly reduced.[2]

More simplistically, consider the following depiction of what happens to a hypothetical host community through plant retirement.

During Plant Operation

A city's tax base is made up of:

Power plant/ utility property | Homes (Residential Property) | Businesses (Commercial/Industrial)

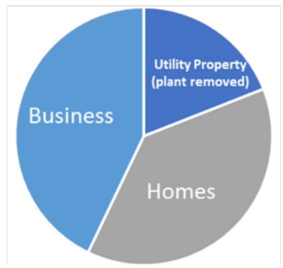
Each year, the city's property tax levy is applied to the value of every property in the city to determine the share of the property taxes each will be responsible for. Take, for example, the pie chart below as a hypothetical proportion of the tax burden in the final year of a plant's operation. The plant and related property make up a majority of the contribution to the local property tax levy, as they do in many host communities, including Cohasset:

[2] For example, in the case of the final tax retirement of Xcel's Minnesota Valley Generating Plant in Granite Falls, MN, the equalized market value of electric generating machinery at the plant in 2019 was $3,751,700, which dropped to $0 in 2020 following retirement. The value of structure/owned land was $3,831,100 in 2019 and was reduced by roughly $2 million to $1,832,500 in 2020. Meanwhile, the market value of "other machinery" remained mostly stable and primarily consists of property like substation infrastructure, which remains on the site.

Following Plant Retirement

Continuing the example, plant retirement shifts the entire equation in the tax payable year immediately following plant retirement.

Plant property is subtracted from the local tax base



Homes and businesses make up a larger proportional share of the city's remaining tax base

Cities are faced with impossible choices—often facing drastic cuts to services such as parks, police, fire, etc., with residents and businesses still receiving large tax increases

The retirements of Boswell units 1 and 2 have already deeply impacted our community

As the Commission is aware, at its peak the Boswell plant was home to a total of four coal-fired generating units. The first two units—much smaller than the remaining two—were retired in recent years. We have done our best to weather the retirement of those first two units, but make no mistake: the retirement of those two units has had a major impact on our community, impacting our taxpayers and inhibiting our ability to invest in the coming transition from units 3 and 4.

To put things in perspective, units 1 and 2 each carried a combined generating capacity of roughly 130MW. Unit 3 carries a capacity of 352MW, while unit 4 clocks in at 585MW. This means that units 1 and 2 combined only around 13% of the generating capacity at Boswell. Generating capacity is not a perfect corollary for the relative tax value of a generating unit but there is some relationship in scale between the two. While units 1 and 2 were painful for our community, the retirement of units 3 and 4 could be catastrophic.

For tax purposes, the impact of the retirement of units 1 and 2 on the City of Cohasset is reflected in the massive shift between tax payable years 2019 and 2020. The table below shows what happened to the City's tax base due to the retirement of those first two units. Between 2019 and 2020, the city virtually froze its levy (increasing only $232 in the scheme of a nearly $3 million levy). This means that our city decided not to raise more money through property taxes than we had the year before, but still, Cohasset taxpayers felt the sting tax increases due to a large shift resulting directly from the removal of the tax capacity attributable to units 1 and 2. The table below shows a $2,163,903 reduction in the City's total tax capacity between these two years.

Year	2019	2020	Change (2019 to 2020)
Cohasset levy	$2,936,092	$2,936,324	$232
Total Tax Capacity[3]	$11,267,612	$9,104,709	- $2,162,903
Tax rate	26.06%	32.25%	Percentage increase = 23.75%

What this means in real world terms is that Cohasset residents and businesses had to pay more in taxes than they did the previous year, but not because of anything that they or the city did. In the longer term, this makes our job in preparing for the eventual retirement of Units 3 and 4 far more difficult. It means that we have less ability to raise the vital resources we need to invest in our community and diversify our tax base.

To illustrate this, consider the following real-world example. The city is working incredibly hard to diversify our tax base, including through a major downtown riverfront redevelopment project (discussed in more detail in an upcoming section of these comments). To make private investments like this a reality, the city needs to invest significant public dollars in infrastructure and other components of development, and the only tool cities possess to raise those dollars is the property tax.

Specifically, to support these investments, the City approved an increase in its levy for 2022 to $3,867,687, up from closer to $3 million where our levy had been steady for a few years prior. Because our total tax capacity still lags well behind our 2019 pre-1 and 2 retirement tax capacity, this increase brought the City's tax rate up to 37.49%. This is a dramatic increase, especially compared to 2019's 26.06% tax rate prior to the retirement of 1 and 2.

Explained this way, we hope this component of the City's conundrum becomes more obvious. At a time when the city needs to consider reasonable property tax increases to invest in future growth, the retirement of units 1 and 2 hampered our ability to raise those dollars without burdening local homeowners and business owners.

Boswell Units 3 and 4

As referenced above, the CEE-authored report *Minnesota's Power Plant Communities: An Uncertain Future*, prepared by the Center for Energy and Environment, released in February 2020, is primarily a qualitative report on host community impacts of power plant retirement, but the document also contains a snapshot of the quantitative contributions of the plant. The report reflects that property tax value of Boswell alone made up 69% of the city's tax base, 13% of the county's, and 19% of our local school district's.[4]

When the CEE study was issued in 2020, those figures still reflected the period before Boswell units 1 and 2 retired. Today, those tax contributions are slightly reduced, and reflect some of the shifts discussed in the prior section.

	Pay 2022		
2022 Tax Capacity of Plant	**Percent of City Tax Base**	**Percent of County Tax Base**	**Percent of School District Tax Base**
$6,373,434	61.4%	9.4%	13.4%

[3] Total Tax Capacity is the share of local net tax capacity that can be taxed after subtracting captured tax increment, exempt power lines, fiscal disparity contribution net tax capacity.

[4] *Minnesota's Power Plan Communities: An Uncertain Future*, Audrey Partridge & Brady Steigauf, Center for Energy and Environment, February 2020, p. 19 (hereinafter "CEE Report").

The fact that the Boswell plant still comprises more than 61 percent of the City's tax base *after* two of its four units have retired helps demonstrate that the City's largest tax base turmoil is to come. While we hope and expect that things like transmission and substation infrastructure will remain on the site after 3 and 4 retire, the lion's share of the remaining tax value at the plant is attributable to those two operating units, and will vanish at the time of plant retirement.

<u>The City's ongoing economic development efforts need time and support</u>

Of course, one of the things the City is asking for is time. In supporting Minnesota Power's preferred plan, we are asking the Commission to approve retirement dates no sooner than retiring unit 3 by the end of calendar year 2029 and operating unit 4 through 2035. The City is also aware that the Commission has heard Cohasset talk about the value of time in the past, and has heard a similar message from the Coalition of Utility Cities, as well as our colleagues in other host communities who participated in Xcel Energy's most recent IRP. With that in mind, what the City would like to do in this section of these comments is to discuss three specific examples of ongoing projects here in the community and how the decisions you make in this resource plan could impact each.

<u>Huber Engineered Woods Project</u>

In June of 2021, Huber Engineered Woods ("HEW") announced plans to build a new production facility in the City of Cohasset on land that is currently on the site of the Boswell facility. If the project goes forward, it will stand as an example nationwide of how a host community and utility company can work together to attract unique opportunities to provide local jobs and tax base. HEW intends to invest $440 million into our community to construct a 750,000 square foot facility that would produce Oriented Strand Board which is used in the construction of homes and other buildings.

As an economic development project, the HEW project is a dream for a transitioning host community. The plant is expected to create at least 150 direct new jobs in our area, eventually provide a boost to our local tax base, and contribute to opportunities in the surrounding area through the related timber and trucking industries.

Even at its massive scale, the City estimates that the Huber project can only be expected to replace roughly thirty percent of the tax capacity we will lose due to the retirement of Boswell Unit 3 alone.

Why time matters: A development project of this scale requires significant public investment. Tax Increment Financing, or "TIF," is a common method of financing development costs by using the additional taxes paid because of the development to pay for part of the development itself. In other words, instead of immediately realizing the tax benefit of having the project in our city, the city foregoes those revenues in the short term so that they can be invested in paying the costs necessary to make the project a reality.

In the case of the Huber project, TIF dollars would go toward private infrastructure at the site of the project, as well as for public infrastructure such as water, sewer, and natural gas connections to the site of the project. In July of 2021 the Cohasset City Council approved a nine-year tax increment financing plan.[5] What this means is that if construction on the Huber project were hypothetically completed in

[5] Minutes, Cohasset City Council Meeting, Tuesday, July 27, 2021. *Available at* https://cohasset.govoffice.com/vertical/sites/%7B4DED3294-59E1-4C4A-B675-C7E6970BA170%7D/uploads/07-27-2021.pdf

2025, the City would not realize the tax base benefits of this massive private investment until roughly 2034.

Again, consider that this historic, massive economic development project is estimated to only make up for less than one-third of the City's lost tax capacity as a result of Unit 3 retirement alone. Now align these timelines with the plant retirement dates proposed by the parties in this docket. This should further illuminate the City's position that Minnesota Power's preferred plan of Boswell unit retirements in 2029 and 2035 is still painful for the City, but is no doubt the best option to advance the company toward its carbon free goals while providing the runway the City needs to transition its tax base. Approving a plan such as the Department of Commerce's FastExit would pull the rug out from under the City as it continues to take the necessary, but costly steps toward rebuilding our future for a post-Boswell reality.

Moreover, it is still unclear whether the HEW project will move forward. Environmental and permitting processes for a project of this scale are incredibly complex and time consuming, even though the Governor and Legislature found this project compelling enough that they authorized state funding and an expedited process for approval during the 2021 legislative session.[6]

These challenges are compounded when parties that hold themselves out as allies to the community's transition work actively to undermine the types of development we need. For example, the Minnesota Center for Environmental Advocacy ("MCEA") engaged with the City thoughtfully during Minnesota Power's IRP stakeholder process and following that process reached out to the City directly purporting to want to help. Then, at the first opportunity to support a major project in the community, MCEA did the opposite.

Given the chance to support the HEW project—perhaps the most significant economic development project in our City's history other than the Boswell plant—MCEA has instead denigrated the project to the press and supported legal action designed to stop the project from moving forward.[7]

It is easy to say that you support helping a host community's transition but supporting the advancement of project like HEW is what support actually looks like. When we receive roadblocks in place of that support, it only adds time and cost to our transition. Time that we don't have.

Downtown Riverfront Redevelopment Project

The City is also actively working on a downtown riverfront redevelopment project on the site of a former lumber mill located on the banks of the Mississippi River. The project will take an abandoned brownfield site within the City and convert it to a diverse mixed-use development. With the Huber project as the most significant industrial project to anchor our economic future, the downtown development project would in turn act as a catalyst for further diversifying our community's economy and establishing our identity going forward.

By improving access to the Mississippi River and establishing a central gathering place, this project is also central to establishing the character of our community for years to come.

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[6] 2021 Minnesota Session Law, 1st Special Session, Chapter 6, Section 129. *See also* Press Release, "Governor Walz Announces Huber Engineered Woods LLC to Bring 150 New Jobs to Cohasset, June 21, 2021, https://mn.gov/irrrb/media/news.jsp?id=1047-486164.

[7] *See* Minnesota Court of Appeals Case No. A22-0550. *See also*, *Legislative deal would exempt Cohasset project from some environmental review*, by Walker Orenstein, MinnPost, June 22, 2021, https://www.minnpost.com/greater-minnesota/2021/06/legislative-deal-would-exempt-cohasset-project-from-some-environmental-review/

Why time matters: As discussed above in the section addressing the ongoing impacts of the retirement of Boswell units 1 and 2, the City in 2022 increased its property tax levy with the specific intention of using those funds to invest in making this community-transforming project a reality. Retirement of Boswell 3 in 2025 would strike a substantial blow to the City's ability to deliver this project without overburdening our taxpayers.

Moreover, like the Huber project, it is contemplated that Tax Increment Financing ("TIF") would be part of the funding mix on this project. Similar timing considerations are relevant to this project as they are to the Huber project.

Finally, time matters in this case because additional time provides the city more flexibility to consider utilizing municipal bonding options. Municipal bonds are issued by local governments to help fund capital projects—such as road, sewer, water, or other infrastructure necessary to enable private development. By issuing bonds, the City is essentially borrowing money that is then paid off over time through debt service payments. As with any loan, such as a mortgage or car loan, the longer the period of time you can finance a municipal bond over, the better terms a city is likely to receive.

Additional years on the term of a bond is also quite simply an opportunity to spread the debt service payments out over a larger number of years, giving the City more flexibility to adjust its levy to accommodate debt service and other needs without major taxpayer impact.

In fact, to help convey just how impactful the decisions made in these resource plans are, host communities across the state commonly structure municipal debt loads so that major obligations do not extend far beyond the expected life of the plant they host. Cohasset is no different. The decisions made in the previous resource plans related to Units 1 and 2 and the decisions made in this one regarding 3 and 4 have already shaped every financial decision the City has made for years, and will continue to do so for decades to come.

Lake Country Power Service Center Project

In 2019, Lake Country Power completed construction on a major service center that is now the anchor tenant in the City's industrial park. The facility was a $12.8 million investment and brought 65 full-time jobs to Cohasset. Unlike the prior two examples, the Lake Country Service Center is a completed project, but we highlight it in hopes of conveying just how difficult and time consuming the work of replacing local tax base is.

At the time this facility opened, it was the largest economic development project in the City of Cohasset in recent memory. From a tax base perspective, however, it would take the equivalent of 124 of this project being built in our City to replace the full tax capacity of the Boswell facility.

Why time matters: This example should make a few things clear. (1) Even if the City and our partners do everything right, and even if we have many years to make this transition, we are still likely to come up short of ever fully replacing Boswell's contributions; (2) the sheer scale of the Huber and Downtown projects far exceeds this one in terms of impact, but those still require numerous years and will not fully replace Boswell; and (3) The timeline proposed in Minnesota Power's preferred plan is the only one in front of the Commission that gives us a chance of success.

Numerous other authorities recognize the importance of time in community transitions

Midwestern Governor's Association

Just last month, the Midwestern Governors Association ("MGA") released a report entitled *Growing the Communities that have Powered the Midwest.*[8] The report is the culmination of more than a year of work by a multi-state group of Midwestern stakeholders, made possible because Governor Tim Walz made host community transitions his priority in chairing the MGA over the previous year. Cohasset participated in these efforts through the Coalition of Utility Cities.

Reflected throughout the MGA's final report and recommendations is the importance of time to host communities facing a transition. The report stresses to communities that whatever stage a community is relative to the end of plant life, "the time is now to start assessing the impacts."[9] MGA goes on urge all parties—including communities, regulators, utilities, and many others to collaborate with one another "early and often to communicate timelines and available infrastructure and important phases of power plant closure."[10]

The document also notes that various speakers throughout the MGA's year-long process have stressed the importance of time. For example, by specifically noting that "[t]he accelerated timeline of coal power closures can catch communities off guard," and that communities should "prepare early."[11] One "lesson learned" in the document discusses the importance of planning for the future of plant site and related property: "Without a site plan in place, the pace of clean up can take <u>time that communities don't have.</u>"[12]

In fact, the importance of starting transition work "early" appears as a recommendation in seven different sections of document.[13] Cohasset did start early. The three economic development projects noted in the previous section should be evidence of that. But if the Commission approves a plan that retires Boswell unit 3 in just over two years from now, any advantage of our efforts so far will be robbed from us.

Minnesota Business Vitality Council

In November 2021, the Minnesota Business Vitality Council ("MBVC") issued a cross-agency sprint work group report entitled *Community Energy Transition: Final Report and Recommendations*.[14] The MBVC is a working group made up of representatives of multiple state agencies <u>including the Department of Commerce</u>. Among the key findings and recommendations in this report are numerous specific examples of essential transition activities that must begin early, and many that necessarily take a great deal of time, effort, and resources.

For example, these are just a few of the items noted in the category of "Community Engagement":

- "It may take several years before community engagement efforts are productive. Communication efforts in the local communities take time." (Page 15.)

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[8] Midwestern Governors Association Initiative, *Growing the Communities that have Powered the Midwest*, ("MGA Report") July 2022, *available at* https://secureservercdn.net/45.40.150.109/8jk.4e3.myftpupload.com/wp-content/uploads/ChairsAgenda/2020-Walz/GrowingTheCommunitiesThatHavePoweredTheMidwest.pdf

[9] MGA report at 3.

[10] *Id.*

[11] *Id.* at 19.

[12] *Id* (emphasis added).

[13] *See e.g.,* pages 3, 13, 14, 18, 19.

[14] *Community Energy Transition Final Report and Recommendations*, Minnesota Business Vitality Council, November 2021, *available at* https://mn.gov/deed/assets/mbvc-community-energy-transition-report_tcm1045-517177.pdf

- "It is important to form a community committee early and plan for the future. It is critical to have all stakeholders, including legislative leaders, engaged early to be productive." (Page 16.)
- "Uncertain or shrinking plant closure times makes community planning difficult." (Page 16.)
- "Plant closure dates that change and move nearer are seen with high anxiety for community residents, who want to be communicated with and involved in the process as far in advance as possible. The challenges moving closure dates represent to local communities is great in their transition planning." (Page 16.)
- "It is important to bring the unions/worker representation into conversations/planning efforts early." (Page 16.)
- "Cities and the State need to be at the table sooner with the power companies to plan for redevelopment on sites pending plant closures." (Page 17.)
- "Participation at the capitol early to influence and stimulate action by the legislature." (Page 17.)

To avoid belaboring the point, we won't list every instance that these sentiments appear in the entire 62-page document, but they appear throughout. The MBVC report even reached beyond Minnesota's borders to gather information from communities and stakeholders in other areas of the country. One of the key findings from those efforts reinforces this idea:

> All out-of-state communities and stakeholders interviewed, alluded to the fact that it is necessary to plan for transition well in advance of closure. More often than not, closures end up occurring sooner than initially announced. As pointed out previously, economic diversification requires a highly comprehensive approach that demands time and effort. As a best practice, communities are advised to start planning for this process sooner rather than later. This will prepare them more effectively to be able to anticipate and contain the negative impacts from the closure.[15]

The report also highlights the challenges that can result from delays in necessary processes, such as permitting:

> Permitting is an essential process in economic development. Permitting impacts infrastructure development and business expansions, which in turn affect a community's capacity to diversify their economies. Speeding up the permitting process, and continuous and transparent communication with businesses and entities going through them, is paramount. Communities interviewed feel that not all permitting agencies are on the same page in this area.[16]

Other examples

It is difficult to find a report or plan from across the country or internationally that doesn't mention time as an essential resource for successful community and worker transition. Take the additional following examples:

- "Effective economic development and diversification strategies will take time and resources, and will require a long-term commitment from all involved. So planning and implementation must and will start immediately." (*Colorado Just Transition Action Plan*, page 4.)[17]
- "Alliant Energy provides communities with as much lead time as possible regarding the retirement dates of its coal-fired facilities. This allows the company to do everything it can to assist the impacted employees, gives the community time to adjust to the reality of upcoming closure, and provides the opportunity to adequately explore potential future uses for the structures and surrounding property

[15] *Id.* at 24.
[16] *Id.* at 24.
[17] *Available at*: https://cdle.colorado.gov/sites/cdle/files/documents/Colorado%20Just%20Transition%20Action%20Plan.pdf

with local officials and economic development professionals." (*Powerful Redevelopment*, page 33-34.)[18]

- "For the redevelopment initiative to succeed, it is critical that key community stakeholders support the initiative and are on-board the process early." (*Decommissioning & Redevelopment Playbook for the Mitchell Power Station & Adjacent Canestrale Properties*, page 70.)[19] This document also discusses numerous timing considerations relevant to economic development, such as the fact that "[a]nother key consideration for industrial site selectors and developers is 'Time-to-Market.'" (Page 71.) This section emphasizes the work that must be done to prepare sites for potential future development.
- An advisory panel to the Government of the province of Alberta Canada recommended 35 actions the government should take to support communities and workers, including five that it recommended being "immediately," and others that recognize the rapid pace at which transition must move—such as giving priority to infrastructure projects in impacted regions. (*Supporting Workers and Communities*.)[20]

Having reviewed the steps that other states and other nations are taking to support communities and workers through this transition, the City is encouraged that Minnesota is already taking some of the most commonly recommended steps forward. However, the next section will detail how far we have yet to go.

Resources to support communities and workers are growing, but Minnesota still needs time to implement impactful tools

The City has been thrilled by the progress state policymakers have made in recent years to enhance the state's tools to support transitioning power plant communities, but there is still a long way to go before those tools are capable of providing the support our community needs. Take the following instructive examples of state tools and where they fall short.

1) The Community Energy Transition Grant Program

The Community Energy Transition Grant Program[21] was created in 2020 specifically to support host cities in efforts to plan for and address the economic and social impacts of plant retirement. It includes efforts to increase local property tax base, develop economic strategies to attract new employers to the eligible community.

Unfortunately, the City of Cohasset has never been eligible to participate. In 2020, the initial funding for the program was appropriated by the legislature from the Renewable Development Account ("RDA"). Because RDA dollars are derived from Xcel ratepayers, the grants were limited to communities in Xcel service territory. Although the 2022 legislative session brought promise for additional funding, the legislature adjourned without passing supplemental funding.

This experience serves to emphasize that even where the state has created a tool more than two years ago, Cohasset has been unable to access that help. Moreover, the purposes the grants can be used for necessarily take time to apply for and receive, let alone implement.

2) The Energy Transition Office/Advisory Committee

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[18] *Available at* https://web-p-ebscohost-com.content.elibrarymn.org/ehost/detail/detail?vid=0&sid=0c4a20b4-84b8-423d-b997-efd9505a0b87%40redis&bdata=JnNpdGU9ZWhvc3QtbGl2ZSZzY29wZT1zaXRl#db=keh&AN=149358158
[19] *Available at* https://dced.pa.gov/download/decommissioning-redevelopment-playbook-for-the-mitchell-power-station-adjacent-canestrale-properties/?wpdmdl=92490
[20] *Available at* https://www.alberta.ca/assets/documents/advisory-panel-coal-communities-recommendations.pdf
[21] Minn. Stat. § 116J.55.

In 2021, the legislature created and funded the Energy Transition Office, housed at the Department of Employment and Economic Development (DEED).[22] Through its membership in the Coalition of Utility Cities, the City was actively involved in the development of this legislation and advocated for its passage at the legislature. We still believe in the mission of this office, but also recognize the incredible pace this work needs to proceed at to support our community.

With a Director of the office having started in Spring of this year, the Energy Transition Office and the Energy Transition Advisory Committee are working rapidly toward publishing a plan later this year that will make recommendations to the Governor and legislature about the next, most impactful steps that can be taken to support host communities and workers, but this work is still only just beginning. The work taking place is promising, but the plan has not yet been published. Moreover, the fact remains that many of the most impactful steps and recommendations the plan may include will still need authorization and funding that can only come from a future legislature.

3) Power plant community transition aid

Perhaps the single most impactful thing the state could do to support host communities is adopt a power plant transition aid program to alleviate the most extreme aspects of the tax impacts of plant retirement and give communities additional time to do the vital work of executing a transition strategy.[23] Such a program could go a long way toward alleviating some of the concerns outlined in the sections above dealing with property taxes, but the fact is that the program does not exist today.

As in the case of the two previous items, the City understands that the PUC cannot make decisions about energy resources based on what the legislature may or may not do in the future to support our communities. Collectively, however, the items in this section are meant to illustrate that both how encouraged we are with the steps the state is taking, but how much time and work even those steps will take. We hope that Minnesota will continue to be a nationwide leader in putting tools in place to support host communities, but Minnesota Power's preferred plan is the only proposal in this docket that provides us a chance to fully benefit from that leadership.

Boswell Retirement Impacts the Entire State, but Most Impacts Are Concentrated Locally

Stepping back again to the bigger picture, the City would like to address some of the socioeconomic data that has already been filed in this docket and highlight some salient points.

In March of 2020, in conjunction with the release of CEE's report on host community impacts, the University of Colorado Boulder released a research study conducted to measure the impact of two retirement scenarios for Boswell units 3 and 4.[24] This research was conducted prior to Minnesota Power's filing of its *Energy Forward* resource plan so exact proposed retirement dates were not yet known, but one of the modeled scenarios—retiring Boswell unit 3 in 2030 and unit 4 in 2036—closely reflects Minnesota Power's preferred plan in this docket. For the sake of comparison, this scenario is modeled against a base case of Boswell operating through at least 2050.

The UCB report confirms what should be known intuitively, which is that Boswell retirement will have a measurable impact on the state's economy, but that most of the impacts will be felt locally:

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[22] Minn. Stat. § 116J.5491.

[23] *See, e.g.*, Minnesota Senate File 3641 (2022)/Minnesota House File 3977 (2022).

[24] *Minnesota Power Economic Impact Study, Final Report*, Leeds School of Business, University of Colorado Boulder, March 2020. (Hereinafter "UCB Report.") The complete report was filed in this docket by Minnesota Power as Appendix M to the company's initial filing on February 1, 2021. *See* Docket No. E015/RP-21-33 Document ID 20212-170607-02.

Compared to the impact on the state, the retirement of the Boswell units has a greater impact on the Itasca County economy. Retirement of Units 3 and 4 results in an average decrease of 434 jobs in the Itasca County economy from 2030-2050, representing a 1.9% decrease compared to the baseline scenario. The compounding job losses illustrate the spillover effects of plant purchases within the community, as well as the impact of employee spending within the community. The retirement results in an average reduction $139 million in local GDP and $33 million in personal income over the period. The share of economic losses in Itasca County versus statewide illustrate the concentration of negative economic impacts associated with the plant closure.[25]

The following two charts display the UCB model's estimation of retiring Boswell units 3 and 4 on local and state employment, then on State of Minnesota GDP.

FIGURE 7: ALTERNATIVE SCENARIO 1 IMPACT ON EMPLOYMENT, 2030–2050[26]

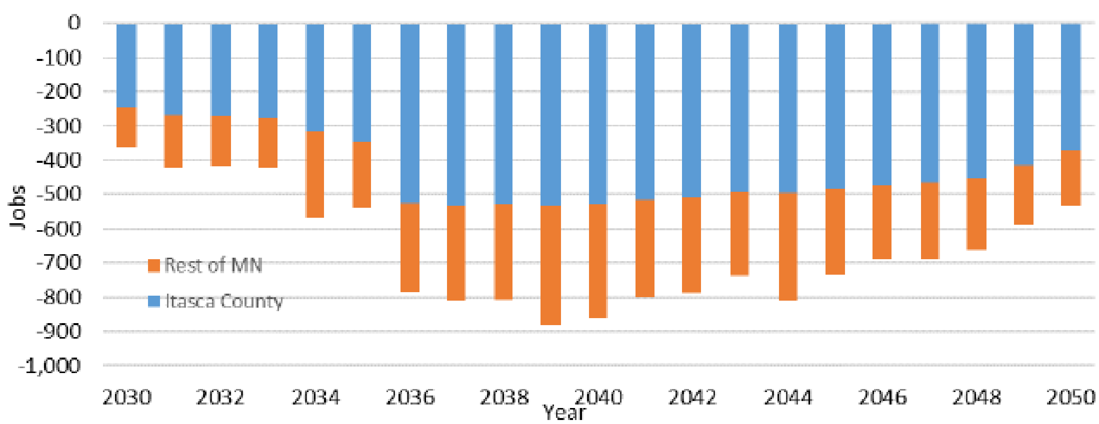
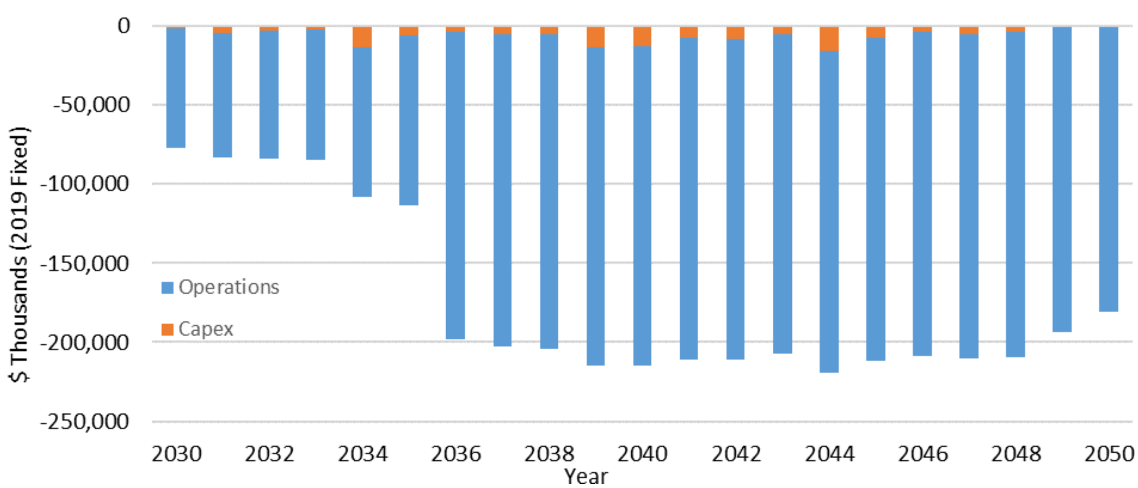


FIGURE 8: ALTERNATIVE SCENARIO 1 IMPACT ON MINNESOTA GDP, 2030–2050[27]



[25] UCB Report at 10-11.

[26] *Id.* at 11.

[27] *Id.* at 11.

Boswell Retirement Will Ripple Through the Iron Range

Minnesota's Iron Range Fiscal Disparities Program[28] was enacted in 1995 and operates as a system for the partial sharing of commercial-industrial ("C/I") property tax base among all jurisdictions within a defined area on the Iron Range in northeastern Minnesota. The goals of this program are to support a regional approach to economic development, equalize the distribution of resources, and reduce competition for commercial-industrial development between geographic neighbors.

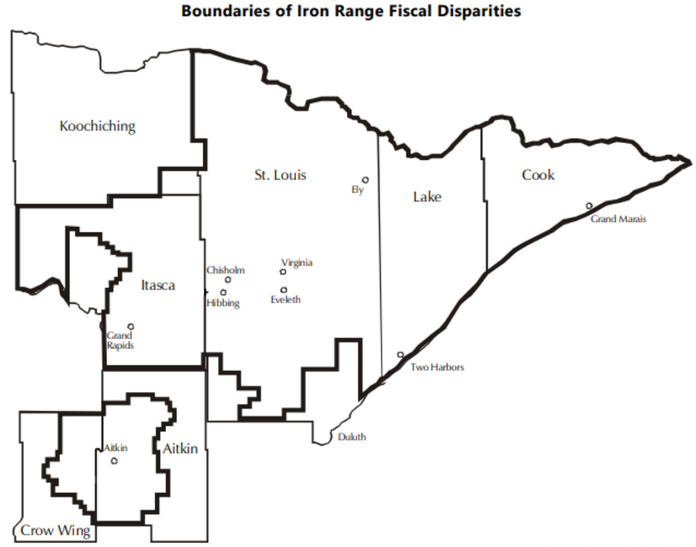
How the program works is by requiring each taxing jurisdiction in the area to annually contribute forty percent of the growth in its C/I tax base since 1995 toward an area-wide pool that is then distributed to each jurisdiction based on its share of the area's population and its relative property tax wealth. Because of the contributions of the Boswell plant, both Cohasset and Itasca County are significant net contributors to the fiscal disparities pool.

In other words—the tax capacity provided by Boswell doesn't just support Cohasset and Itasca County, it bolsters the entire northeastern region of the state. CEE's 2020 report includes data from prior to the retirement of Units 1 and 2 that Boswell alone constitutes fourteen percent of the entire fiscal disparities pool.[29]

The retirement of units 1 and 2 at the Boswell plant already had a sizeable impact on contributions to the range fiscal disparities program. The retirement of these units first impacted the fiscal disparities pool for distributions paid in 2021. Between 2020 and 2022, the percentage of total tax capacity contribution to the total range fiscal disparities program attributable to taxes paid by Minnesota Power based on the value of the Boswell facility goes from 14.7% in 2020, to 9.1% in 2021 and 7.9% in 2022.

To better explain the impact of this—what it means is that Boswell retirement won't just impact Cohasset's finances, but it has the potential to impact the finances of every city and County in the entire Iron Range pool. For example, between 2020 and 2021, when the impact of unit 1 and 2 retirement was first incorporated into fiscal disparities calculation, the City of Virginia's fiscal disparity distribution dropped from $1.4 million to $1.23 million. That's a decrease of $174,278 in a community that is more than an hour's drive from Cohasset. Moreover, while smaller in scale, it illustrates just how widespread the ripple effects are to consider that the City of Grand Marais also saw a reduction in its distribution that year. Grand Marais is more than 180 miles and a three-hour drive from Cohasset.

Figure D:
Boundaries of Iron Range Fiscal Disparities



House Research Graphics

[28] Minn. Stat. § 267A.01 - 267A.09.
[29] CEE Report at 23.

For the sake of transparency, it should be noted that it is impossible to pinpoint that Boswell retirement was the sole cause of these disruptions, but the reduction in the City of Cohasset's contribution levy to the program helps illustrate that it was a substantial factor. Between 2020 and 2021, after years of steadily increasing, Cohasset's "contribution tax capacity," which is the factor the program uses to calculate each community's contribution, dropped from nearly $1.8 million to roughly $1 million.

<u>The Department of Commerce's "Fast Exit" Proposal is Reckless, Unfeasible, and would be Devastating to our Community</u>

Having laid out the socioeconomic factors facing the City in the previous sections of these comments, we now turn our attention to replying to specific plans proposed in this docket. First, it is nearly impossible to convey how devastating the "FastExit" Boswell scenario put forward by DOC DER would be to our community and our region. Because DOC DER's FastExit recommendations are so outlandishly radical and reckless, combined with the agency's questionable track record in these proceedings that call its credibility and competence into question, the City asks the PUC to give no weight to DOC DER's recommendations in your final consideration of Minnesota Power's IRP.

DOC DER's FastExit scenario was initially recommended in the agency's April 29, 2022 initial comments. Specifically, based on DOC DER's modeling results, the agency recommended the PUC modify Minnesota Power's preferred plan to require the retirement of Boswell Units 3 and 4 in 2025 and 2030—each of which is at least five years sooner than proposed by the company in its preferred plan.

These comments are astonishing. Not only are these retirement dates far more aggressive than any other party has put forward, but they rely on bringing new gas resources onto Minnesota Power's system on a timeline that is laughably impractical. To add insult to injury, DOC DER's April 29th comments contain no analysis or even acknowledgement of the possible impacts the FastExit plan may have on communities and workers that will be devastated by Boswell retirement. In fact, in the DOC DER's more than 120 pages of comments and attachments the only mention of communities and workers at all is to suggest that the inclusion of transition assistance for workers and communities in a hypothetical securitization plan for the retirement of Boswell would "fall outside of the Commission's core function and duties . . . ."[30]

Given these factors, it was not terribly surprising that in June, DOC DER was alerted by Minnesota Power staff that the agency's modeling inputs contained errors so significant that the agency was forced to request an extension to this IRP—the ninth extension requested by the agency—to provide the opportunity to correct this modeling. However, when the agency filed its updated modeling on July 29, 2022, it still preferred recommending the FastExit scenario for Boswell.

This time, however, there was at least an acknowledgement that the DOC DER's modeling-only approach is not adequate:

> **Modeling is a critical tool that will inform the Department's final recommendations in Reply Comments, however, it is not the only tool.** The Department must also consider important policy considerations that help balance our statutory mandates to achieve low rates, promote renewable energy, protect consumers from excessive risk, and **balance these concerns against broader socioeconomic considerations, including impacts to workers and host communities.** The Department must also take into account the relative likelihood of certain potential outcomes, such as the likelihood of the development of new transmission resources or

[30] DOC DER Comments, April 29, 2022, p. 91.

> new gas resources, both of which could dramatically impact policy recommendations on this resource plan.[31] (Emphasis added.)

The City agrees. The fact is, any analysis that recommends the retirement of major, baseload generation but includes no analysis of socioeconomic, local government, or worker impacts, is incomplete and should not be relied upon by the PUC in making decisions of this magnitude. Unfortunately, DOC DER staff does not appear to view it as any part of their role to consider such impacts, or—until the agency's most recent filing—to acknowledge we exist.

In fact, at a meeting of the State's Energy Transition Advisory Committee on June 28, 2022, DOC Deputy Commissioner Kevin Lee acknowledged that Commerce does not even attempt to consider socio-economic impacts on workers or communities at any point in the process of participating in IRP dockets.[32]

Let this be absolutely clear: DOC DER's conduct in this docket is appalling and should not be tolerated by the Commission or by state policymakers. This IRP process has already been extended ten times. Nine of those extension requests came from DOC DER. Seven of those times, DOC DER cited the need for "[a]dditional time to complete its analysis." In one request, the agency blamed Minnesota Power for not property responding to an Information Request. And once—the ninth and most recent extension requested—was the one the agency was forced to file because after delaying this process for more than an entire year, its modeling was so fundamentally flawed it needed to be thrown out.

The tenth extension request to this IRP was filed by a collection of parties on July 8, 2022. While not filed by DOC DER, this delay is a direct result of DOC DER's actions. The CEOs and other parties requested an extension to this reply comment period to August 29, 2022 so that parties would have the benefit of seeing DOC DER's updated modeling results in filing reply comments.

To treat this process so flippantly, when DOC DER is well aware that the future and livelihoods of hundreds of workers and numerous local governments is on the line, is incredibly offensive.

<u>Minnesota Power's Preferred Plan is a Responsible Compromise</u>

The City of Cohasset reiterates that Minnesota Power's preferred plan is a responsible compromise. Again, while the City is concerned about our ability to fully execute a transition plan even on the timeline proposed by Minnesota Power, we are happy to support this plan because of the care and consideration the company took in developing it to strike a balance between the region's energy needs and other factors, such as ratepayer and socioeconomic impacts.

Moreover, the City not only hopes to remain a host community through 2035, but also in the years that follow. We recognize that energy technology is developing rapidly, and it may not yet be clear what mix of resources will power our state more than a decade from now. That said, should Minnesota Power determine in a future IRP that the Boswell site is well suited to continue to host the next generation of energy production, we hope the Commission will give those plans serious consideration.

From start to finish, these comments are meant to convey the incredible impact the Commission's decision in this docket will have on the City. To the Commission, we express our sincere gratitude for the steps you have taken in recent years to understand, consider, and represent the needs of host communities

[31] DOC DER Supplemental Comments, July 29, 2022, p. 54.

[32] Minutes, Energy Transition Advisory Committee, June 28, 2022, p. 5. - https://mn.gov/deed/programs-services/energy-transition/

and workers. We encourage you to continue that work, and continue to partner with us through efforts such as the Energy Transition Office. Our community is depending on it.

<u>Thank you</u>

With any questions or requests for additional information, please contact Max Peters, City of Cohasset's Director of City Operations/Finance Director at maxp@cohasset-mn.com or (218) 328-6225. Also please feel free to contact Shane Zahrt, Senior Attorney with Flaherty & Hood, P.A., who represents and advises both the City of Cohasset and the Coalition of Utility Cities at SAZahrt@flaherty-hood.com or (651) 295-1123.

Thank you for your consideration.

Mayor Greg Hagy
City of Cohasset, Minnesota